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The Impact of Debt Policy, Dividend Policy, and Investment Decisions on Value Creation (Study of Coal Mining Companies listed on the IDX for the 2018-2022 Period)

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ABSTRACT

The aim of this reseacrh is to identify and analyze the combined impact of debt policy, dividend policy, and investment decisions on value creation, the influence of debt policy on value development, and the influence of dividend policy on value creation. The study also aims to investigate the influence of investment choices on value generation. We conducted this study at coal mining businesses listed on the IDX between 2018 and 2022. This study had a sample size of seven coal mining companies. The preliminary findings indicate that debt management has a significant and favourable influence on value generation. Similarly, the policy regarding dividends also has a positive and significant impact on value creation. Furthermore, investment decisions have a positive and significant impact on value creation for coal mining firms listed on the IDX between 2018 and 2022.

Keywords: Debt Policy, Dividend Policy, Investment Decisions, Value Creation

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INTRODUCTION

The current global economy exerts an indirect influence on economies worldwide, including that of Indonesia. With the ongoing expansion of the economy, investment has emerged as a viable option for those seeking to generate future income.Similar to how individuals have life goals, companies also have objectives to accomplish. A corporation's main goal is to increase its value, which in turn promotes the welfare of its shareholders. (Harjadi et al., 2023).

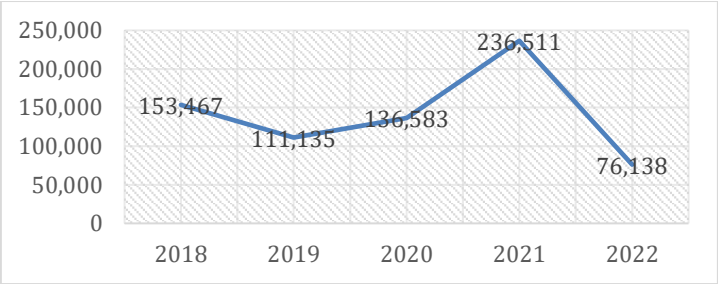
Coal mining firms play a vital role in generating value within the industry, making it one of the most significant sectors. Coal mining firms encounter distinct obstacles in generating shareholder value, necessitating the efficient management of debt policies, dividend policies, and investment decisions. Implementing a cautious Debt Policy enables a company to employ financial leverage for the purpose of funding operations and growth, while simultaneously maintaining bankruptcy risk at an acceptable level. Implementing an appropriate dividend policy can enhance investor contentment and entice fresh investment. Nevertheless, it's essential to maintain a balance between meeting investor expectations and investing profits in long-term growth strategies. Prudent investment choices are essential for maintaining operational sustainability and improving efficiency (Harjadi et al., 2021).

Table 1 is the EVA (Economic Value Added) data for the coal mining sector on IDX period 2018 to 2022.

Table 1. EVA Data for Coal Mining Companies

	Year				
Company	2018	2019	2020	2021	2022
ADRO	598,273	497,841	72,683	70,582	2,712
BSSR	75,579	28,924	27,198	259,633	174,167
DSSA	125,434	90,272	826.130	266,024	198.101
ITMG	220,822	115.193	77,298	219,296	125.131
MYOH	26,836	23,077	15,661	18,539	10,627
PTBA	4,339	3,478	1,952	6,214	3,760
PTRO	22,992	19,162	7,774	22,289	18,470
Average	153,467	111.135	136,583	236,511	76,138

Table 1 reveals that the 7 coal mining enterprises exhibit short-term fluctuations and demonstrate a long-term decline. To enhance understanding, refer to the graph provided below.



Graph 1. EVA Data for Coal Mining Companies Listed on the IDX

Graph 1 illustrates the annual fluctuations in the average Economic Value Added (EVA) of 7 coal mining businesses. It indicates a consistent downward trend in corporate value from 2018 to 2022. This poses a challenge for companies, as certain companies are incapable of generating additional worth for their investors and debtors. In relation to this matter, if it remains unattended, the corporation would incur financial losses, which contradicts the company's objective of maximizing profits.

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The researcher intends to explore how debt policy, dividend policy, and investment decisions influence value creation in coal mining companies.

LITERATURE REVIEW

According to Brigham and Houston (2019), a signal refers to an action initiated by firm management that conveys information to investors regarding the company's outlook. Signal theory elucidates the process by which a corporation can effectively transmit signals to readers of financial reports, particularly investors who are seeking to make investments.

This signal hypothesis aligns with research indicating that both positive and negative information can impact investors, serving as signals that influence their investment decisions. These signals then become significant factors for investors to consider when making future investment choices. Value creation refers to the efficient process undertaken by a firm to generate additional value, which serves as a sign of corporate growth and performance, ultimately leading to profit generation (Fernández, 2009). A debt policy is a corporate policy that is put into place to control how much a company uses debt finance for operational assistance. The author of this study chose to evaluate the debt policy using the Debt to Equity Ratio (Maulana & Yusuf, 2019; Maulana et al., 2022; Maulana & Aziz, 2024). Methodically, this proportion can be delineated using the subsequent equation:

$$\text{DER} = \frac{\text{Total Liabilities}}{Total\ Equity} \text{x}100\%$$

Dividend policy involves distributing a portion of profits to shareholders as cash dividends. In this study, the author chose to use the Dividend Payout Ratio (DPR) as a measure to evaluate the dividend policy (Wildayani et al., 2023). Methodically, this proportion can be elucidated using the subsequent equation:

$$\text{DPR} = \frac{Dividend\ \ Per\ \ Share}{Earning\ \ Per\ \ Share}$$

An investment choice involves the allocation of funds to different investment options with the aim of generating future earnings and increasing the wealth of the fund owner. The author of this study opted to utilize the Price Earnings Ratio (PER) as a metric for making investment decisions (Komarudin, 2019). Methodically, this proportion can be elucidated using the subsequent equation:

$$\text{PER} = \frac{Market\ Price\ Per\ Share}{Earning\ Per\ Share}$$

Based on the Figure 1, the research paradigm can be described as follows:

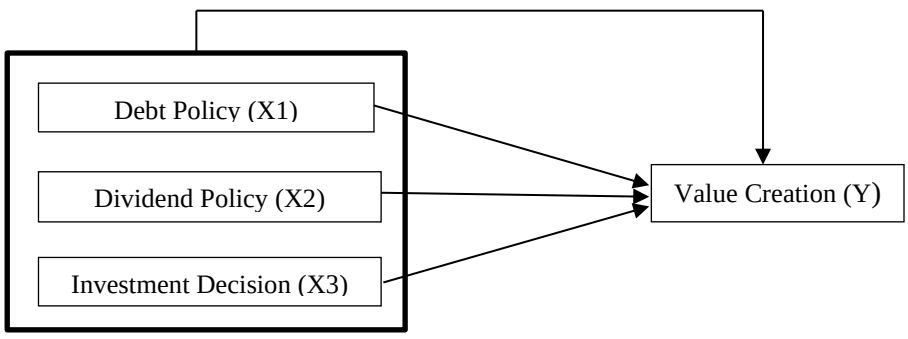

Figure 1. Research paradigm

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Hypothesis

H1= Debt policy, dividend policy, and investment decisions simultaneously influence value creation.
H2= Debt policy has a positive impact on value creation.
H3= Dividend policy has a positive impact on value creation.
H4= Investment decisions have a positive impact on value creation.

RESEARCH METHOD

This research serves as a means of verifying a theory regarding the impact of debt policy, dividend policy, and investment decisions on corporate value creation. The population for this study comprises all seven the coal mining corporations on the IDX year 2018 to 2022. The research employed Panel Data Regression analysis, incorporating Classical Assumption testing, Determination Coefficient, and Hypothesis testing.

RESEARCH RESULTS

Classic Assumption Test Results

Table 2. Test Results

Test	Results	Conclusion
Normality test	Obtained a probability value of 0.076273 > 0.05	Data is normally distributed.
Multicollinearity Test	DER: 0.3182 <10, DPR: 0.3611<10, PER: 1.0000 <10	Multicollinearity does not occur
Heteroscedasticity Test	Obs*R-square value obtained is 1.209728 > 0.05	Heteroscedasticity does not occur
Autocorrelation Test	Obtained Prob value. Chi-Square is 0.1146 > 0.05	There is no autocorrelation

The tests conducted determined that the selected estimate model was the Fixed Effect Model (FEM).

Table 3. FEM Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	328.7854	10.84233	30.32423	0.0000
DER?	40.15669	11.56722	4.794151	0.0000
DPR?	41.03083	11.57155	4.866778	0.0000
PER?	12.35955	1.117198	9.062982	0.0000
Fixed Effects (Cross)				
_ADRO--C	-2.961825			
_BSSR--C	4.661229			
DSSA--C	-51.13273			
ITMG--C	29.64131			
_MYOH--C	71.30322			
_PTBA--C	35.18617			
PTRO--C	-86.69737			

Source: Eviews Version 12

The chosen estimation findings Table 3 are derived from the tests conducted, specifically the FEM. The equation is as follows:

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The equation is Y = 328.7854 + 40.15669_{DER} + 41.03083_{DPR} + 12.35955_{PER} - 2.961825_{ADRO} + 4.66129_{BSSR} - 51.13273_{DSSA} + 29.64131_{ITMG} + 71.30322_{MYOH} + 35.18617_{PTBA} - 86.69737_{PTRO} + e.

The constant value is 328.7854. The intercept value for each firm is calculated as follows: 328.7854 - 2.961825_{ADRO}, 328.7854 + 4.66129_{BSSR}, 328.7854 – 51.13273_{DSSA}, 328.7854 + 29.64131_{ITMG}, 328.7854 + 71.30322_{MYOH}, 328.7854 + 35.18617_{PTBA}, and 328.7854 – 86.69737_{PTRO}. Indicates that the debt policy (DER), dividend policy (DPR), and company size (PER) have a value of zero, resulting in a value creation of 328.7854.

The regression coefficient of 40.15669 for the Debt Policy indicates a positive correlation between Debt Policy and Value Creation. If all other independent variables remain constant and the Debt Policy increases by 1%, the company's Value Creation will also increase by 1%. In numerical terms, this corresponds to a 40.15669% increase in the company's Value Creation.

The Dividend Policy regression coefficient is equal to 41.03083 shows a positive influence on Value Creation. This means that if the value of the other independent variables remains constant and the Dividend Policy increases by 1%, the company's value creation will increase by 41.03083%.

The Investment Decision regression coefficient of 12.35955 indicates a positive influence on Value Creation. This means that if the value of the other independent variables is constant and the Investment Decision increases by 1%, the company's value creation will increase by 12.35955%.

The analysis of this research model indicates an adjusted R-squared value of 0.903894. This indicates that 90% of the variation in the dependent variable can be accounted for by the variables included in the model, while the remaining 10% is impacted by factors that were not taken into account in the model.

Hypothesis Test Results

The F test results indicate that the F-statistic is 31.78324. The F-table value, determined at a 0.05 significance level with df1 (degrees of freedom for the numerator) = 3 and df2 (degrees of freedom for the denominator) = 31, was calculated to be 2.91. This implies that debt policy, dividend policy, and investment decisions have a significant impact on corporate value creation.

Table 4. t Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	328.7854	10.84233	30.32423	0.0000
DER?	40.15669	11.56722	4.794151	0.0000
DPR?	41.03083	11.57155	4.866776	0.0000
PER?	12.35955	1.117198	9.062986	0.0000

Source: Eviews Version 12

The statistical analysis of the debt policy variable (DER) on value creation shows a t-value (tcount) of 4.794151, which exceeds the critical t-value (ttable) of 2.03. Additionally, the significance value (sig value) is 0.00, which is below the 0.05 significance level. Therefore, the null hypothesis (Ho) is rejected, and the alternative hypothesis (Ha) is accepted. This suggests that the debt policy variable has a partially positive and significant impact on value creation.

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The analysis of the dividend policy variable (DPR) on value creation reveals a t-value (tcount) of 4.866776, which is greater than the critical t-value (ttable) of 2.03. The significance value (sig value) of 0.00 is also less than the 0.05 significance level. Thus, the null hypothesis (Ho) is rejected, and the alternative hypothesis (Ha) is accepted. This indicates that the dividend policy variable has a partially positive and significant effect on value creation.

The statistical analysis shows that the Investment Decision (PER) variable has a significantly positive impact on value creation. The t-value of 9.062986 is higher than the critical t-value of 2.03, and the p-value of 0.00 is below the 0.05 significance level. As a result, the null hypothesis (Ho) is rejected, and the alternative hypothesis (Ha) is accepted. This indicates that the Investment Decision variable partially and significantly influences value creation in a positive manner.

DISCUSSION

The results of the F test hypothesis testing suggest that debt policy, dividend policy, and investment decisions collectively have a significant and substantial impact on value creation. This research can be extrapolated to encompass coal mining firms for the period of 2018-2022. Concurrently, several aspects such as debt policy, dividend policy, and investment decisions can together impact the overall value creation of a company.

The Impact of Debt Policy on Value Creation

The findings from the partial hypothesis testing (t) indicate that debt policy has a significant and positive impact on value creation. Consequently, if a company heavily relies on borrowed funds to finance its operations, it will become increasingly dependent on its creditors. This illustrates a direct relationship between the amount of debt that a company possesses and its capacity to create value. The results of this study are supported by Hermuningsih's (2009) research, which showed that debt policy has a positive and significant effect on value creation (Komarudin, 2019; Harjadi et al., 2021; Kumar & Sukumaran, 2019).

The results suggest that dividend policy has a statistically significant and positive effect on value creation. Therefore, an increase in the dividend paid will lead to a corresponding increase in value creation, whilst a decrease in the dividend paid will result in a loss in value creation. The research conducted by Herawati (2013) supports the conclusions of this study, indicating that dividend policy has a positive and significant effect on wealth creation (Kumar & Sukumaran, 2019).

Value creation is positively and statistically significantly impacted by investment decisions, according to the partial hypothesis testing (t) results. The ability of the business to create value rises in tandem with the degree of investment decisions made. Conversely, if the investment decision is lowered, the company's ability to generate value will also be lowered. The findings of this study are corroborated by Hikmawati's (2022) research, which demonstrates that investing choices have a major and favourable impact on wealth generation (Kumar & Sukumaran, 2019).

CONCLUSIONS

From the analysis of the research data and subsequent conversations, the following deductions can be made that the F test results indicate that the F-statistic is 31.78324. The F-table value, determined at a 0.05 significance level with df1 (degrees of freedom for the numerator) = 3 and df2 (degrees of freedom for the denominator) = 31, was calculated to be 2.91. The combined effect of debt policy, dividend policy, and investment decisions

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has a substantial influence on the creation of value. Therefore, fluctuations in debt policy, dividend policy, and investment decisions collectively result in alterations in value creation.

The regression coefficient of 40.15669 for the debt policy indicates a positive correlation between debt policy and value creation. The debt policy has a distinct and substantial impact on value creation when considered independently. This suggests that a greater percentage of debt in a corporation is linked to a rise in value generation.

The dividend policy regression coefficient is equal to 41.03083 shows a positive influence on value creation. The dividend policy has a distinct and substantial impact on value creation when considered independently. Higher dividend payments are positively correlated with increased value creation, whilst lower dividend payments are negatively correlated with decreased value creation.

The investment decision regression coefficient of 12.35955 indicates a positive influence on value creation. Investment decisions exert a positive and substantial impact on value creation when considered individually. This implies that making larger investment choices leads to more value generation for the organization, while making smaller investment choices leads to a drop in value generation.

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